

# Economics

**Standard ECON-2** The student will demonstrate an understanding of markets and the role of supply and demand in determining price and resource allocation.

**ECON-2.2** Explain the nature and role of competition in a market economy, including the determination of market price through competition among buyers and sellers and the conditions that make industries more or less competitive, such as the effect of domestic and international competition and the quality, quantity, and price of products.

**Taxonomy Level:** B 2 Understand /Conceptual Knowledge

## **Previous/future knowledge:**

In first grade (1-6.2) students explained methods for obtaining goods and services, including buying with money and bartering. Later, in second grade (2-5.1, 2-5.4) students identified examples of markets and price in the local community, explained the roles of buyers and sellers in creating markets and pricing, and identified the relationships between trade and resources both within and among communities, including natural, human, and capital resources.

In third grade (3-5.5) students explained the effects of the Great Depression and the New Deal on daily life in South Carolina, including the widespread poverty and unemployment and the role of the Civilian Conservation Corps. Later, in fifth grade (5-4.7) students explained the effects of increasing worldwide economic interdependence following World War II, including how interdependence between and among nations and regions affected economic productivity, politics, and world trade.

In middle school (7-1.6, 7-7.6) students explained the emergence of capitalism, including the significance of mercantilism, a developing market economy, an expanding international trade, and the rise of the middle class and explained the impact of increasing global economic interdependence in the late twentieth century and the early twenty-first century, including the significance of global communication, labor demands, and migration; the European Economic Community (EEC) and other trade agreements; and the oil crisis of the 1970s.

## **Future Knowledge**

While no future knowledge is required, students must have a general understanding of the forces of competition in determining market price and quantity. A general understanding of international and domestic competitive forces provides a foundation of knowledge to ensure both informed consumer and voter behavior.

## **It is essential for students to know**

Students must be able to define the primary characteristics of perfect competition. Students should understand the relationship between domestic and international trade and increased competition. Students should also understand the impact of increased trade, and thus increased competition, on the variety, price and quality of goods and services in a market.

Students should be able to compare the model of perfect competition to a model that does not have these characteristics. The model of monopoly behavior is an appropriate comparison. It is also essential that students should understand examples of markets that closely approximate perfect competition; examples of those that do not and be able to explain why. Many agricultural markets are appropriate comparisons.

**It is not essential for students to know**

Students do not need to know the primary characteristics of oligopolies, monopolistic competition or monopsony markets. It is also not essential for students to know the anti-trust regulations that encourage competition and discourage monopoly power.

**Assessment guidelines:**

Appropriate assessment requires students to *explain* the effects of competition in a market economy; therefore, the primary focus of assessment should be for students to *classify* the primary characteristics of competition and *explain* the effects of competition on price, the quality and quantity goods, and international trade. Appropriate assessments should also require students to *compare* and *contrast* competitive industries against those that are less competitive and to understand the economic outcomes of reduced competition.